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Financial reports and audited financial statements, and reports of the Board of Auditors

Implementation of the recommendations of the Board of Auditors

Report of the Secretary-General

I. Introduction

1. In paragraph 7 of its resolution 48/216 B of 23 December 1993, the General Assembly requested the Secretary-General and the executive heads of the United Nations organizations and programmes, at the same time as the recommendations of the Board of Auditors were submitted to the Assembly, through the Advisory Committee on Administrative and Budgetary Questions, to provide the Assembly with their responses and to indicate measures that would be taken to implement those recommendations, with appropriate timetables.

2. The Secretary-General has the honour to transmit to the General Assembly the responses of the executive heads of organizations and programmes, namely, the United Nations Institute for Training and Research (UNITAR) and the voluntary funds administered by the United Nations High Commissioner for Refugees. Unless otherwise stated, the responses relate to the recommendations of the Board of Auditors in its reports for the year ended 31 December 1996.

II. Replies from United Nations organizations and programmes

A. United Nations Institute for Training and Research

3. The follow-up measures taken or to be taken by UNITAR to implement the recommendations of the Board of auditors in its report for the year ended 31 December 1996[1] are set out in the table below.

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Summary of recommendations	*Immediate action taken by UNITAR*	*Mid-term objectives of the United Nations Institute for Training and Research*
10 (a) UNITAR should liaise with United Nations Headquarters to agree on a position on the treatment of long-standing charges.	During its thirty-fifth session (March 1997), the Board of Trustees again considered the question of the sums claimed by the United Nations. Its reading of General Assembly resolution 47/227 of 8 April 1993 was that the writing off of the Institute's debt before the restructuring applied across the board for all former UNITAR debts. Official documents supplied by the United Nations Secretariat, including the report of the Secretary-General dated 29 October 1992 (A/47/458), did not prove otherwise.	Not applicable.
10 (b) UNITAR should carry out a review of the collectability from donors of amounts outstanding on Special Purpose Grants Fund projects and take appropriate action to clear any amounts deemed uncollectible.	Of the six projects with amounts outstanding as at 31 December 1996, four donors had fulfilled their contributions in early 1997.	In 1997, two projects should receive a solution from donors (the Swiss Development Cooperation (SDC) and the National Aeronautics and Space Administration (NASA)) in order to reach a zero balance as at 31 December 1997. Otherwise the negative balances should be written off.
10 (c) UNITAR should reconcile its computer inventory with that maintained by the Purchase and Transportation Section of the United Nations Office at Geneva and compile a comprehensive inventory of non-computer equipment at the earliest possible opportunity.	UNITAR and the Purchase and Transportation Section had reconciled the computer inventory as at 31 July 1997; the non-computer equipment should follow by autumn 1977 at the latest.	The reconciliation of computer and non-computer equipment would be done every year with the Purchase and Transportation Section. In order to facilitate monitoring, an inventory document would be established and posted for each room at UNITAR.
11 (a) UNITAR should ensure that in all cases a strategy document was established for each programme, similar to that drawn up for the national action plans and the national pollutant release and transfer registers programmes. The document should set out the training activities to meet identified needs and ensure self-reliance and sustainability, together with the expected timescale and resource requirements.	The programmes were designed to meet immediate and often urgent needs of the recipient countries. Along with that flexible approach, UNITAR considered that the programmes had long-term perspective.	UNITAR was acting to design each of its programmes within a long-term and sustainable strategy, even if the formulation of the projects had to address immediate objectives, as they were usually funded on a one or two-year basis.
11 (b) UNITAR should improve the documentation supporting the selection of pilot countries and partner institutions.	The selection was made by panels or committees, including experts from outside UNITAR. A key factor considered in the selection process was the degree to which the Institute's potential partner institutions had ongoing programmes in the countries. That was certainly a crucial prerequisite for achieving the main objectives of any pilot project. The selection criteria and priorities of the donors also had to be taken into account in one way or another.	Efforts would be made to document better the process. UNITAR would, however, avoid any heavy bureaucratic procedures for the production of such documentation that could hinder operational efficiency.
11 (c) UNITAR should ensure that there were clear linkages between its training events and the specific objectives of relevant programme.	In paragraph 56 of its report, the Board of Auditors acknowledged the Institute's point of view. With regard to financial management training, the main intention of UNITAR was to bring the message to the policy makers that every form of borrowing involved a very complex process, with risks and downsides. To treat the various topics and to train adequately the concerned staff implied a versatile curriculum. There was full consistency, even if it did not appear obvious to an outside observer.	Better documentation would support the choices of the programmes, time permitting.

Summary of recommendations	*Immediate action taken by UNITAR*	*Mid-term objectives of the United Nations Institute for Training and Research*
11 (d) UNITAR should clearly record its assessment of the extent to which pilot projects added value to the programmes and contributed to their achievement.	UNITAR fully agreed with the importance of using pilot experiences to guide and inform programme direction. However, UNITAR considered that there were several legitimate aims of a pilot phase. One was to test and strengthen an approach. The second, which had not yet been taken into account by the Board of Auditors, was to assess whether an innovative approach was sufficiently relevant, achievable and beneficial to target countries. With regard to the latter, a possible outcome of a pilot phase could be the decision that a full-scale programme should not be pursued. Thus, only when the results of the pilot phases were successful did UNITAR undertake the development of a proposal to extend the programme to other countries.	UNITAR would use its pilot projects to identify areas where its implementation approaches and documentation could be strengthened.

B. Voluntary funds administered by the United Nations High Commissioner for Refugees

1. Introduction

4 The following is a report on measures taken or to be taken by the Office of the United Nations High Commissioner for Refugees (UNHCR) in response to the recommendations of the Board of Auditors in its report for the year ended 31 December 1996,[2] as reproduced in the report of UNHCR dated 25 August 1997 (A/AC.96/885). The response of UNHCR to those recommendations, which is reflected in the present report, was circulated in document A/AC.96/885/Add.1 of 27 August 1997.

2. Financial management

(a) Recommendation 10 (a)

5. The Board recommended that UNHCR ensure that audit certificates were submitted by the implementing partners in sufficient time for the Administration to have the necessary assurance about the regularity, compliance and propriety of the expenditure incurred by the implementing agencies and reflected in the financial statements.

Measures taken by the Administration

6. UNHCR stated that as a first step to ensure that audit certificates were submitted by the implementing partners, it had decided to make the audit certification clause mandatory for all the projects as at 1 January 1997. Furthermore, UNHCR was now proposing to differentiate the requirements between the various categories of implementing partners for audit purposes. The Office felt that the proposals represented a practical and cost-effective approach to the important issue of audit certification. Linked to the revised audit certification requirements, UNHCR was establishing a comprehensive non-governmental organization database that would include financial information about the non-governmental organizations, in particular their ability to comply with UNHCR reporting and audit requirements. That database would also help project managers in the selection of implementing partners.

7. With regard to the timing of the submission of audit certificates, every effort would be made to obtain them as early as possible after the project termination date. It was, nevertheless, unrealistic to expect that it would be before the end of the first half of the year, as most of the agencies had their accounts audited after the first quarter of each year, since the liquidation of obligation period allowed by UNHCR was often three months.

(b) Recommendation 10 (b)

8. The Board recommended that the UNHCR Administration urgently review the present system of the recording of expenditure by implementing partners. The Administration should also ensure that all outstanding financial reports were received from implementing partners and were used for adjusting the funds in the memorandum suspense account in the Financial Management Information System (FMIS) after proper verification of those reports.

Measures taken by the Administration

9. UNHCR stated that it continued to experience difficulties in obtaining financial reports from some implementing partners, despite frequent reminders to them asking for prompt submission. The organization was taking a number of steps to address this issue.

10. The organization had recently commenced the process of defining its systems requirements in order to implement new operational systems in the field and at headquarters. An important part of that process would include a review of the accounting practices, reporting mechanisms and requirements relating to implementing partners. It was expected that the review would lead to a complete redefinition of the reporting requirements and procedures of the implementing partners of UNHCR and the putting in place of the necessary tools to allow them to report back to UNHCR more easily and more promptly.

11. More immediately, a newly created Project Unit within Financial Services would have as one of its main tasks the timely follow-up and recording of the financial reports of the implementing partners. New exception reports had recently been created to assist the Unit in its efforts. The work of the Unit was expected to go a long way towards addressing the problem highlighted by the Board.

(c) Recommendation 10 (c)

12. The Board recommended that UNHCR focus more attention on timely review and cancellation of obligations no longer required.

Measures taken by the Administration

13. UNHCR stated that the new Project Unit mentioned in paragraph 11 above would review obligation levels and ensure that obligations were cancelled as soon as they were no longer required.

3. Programme management

(a) Recommendation 10 (d)

14. The Board recommended that programme delivery and administrative support costs in the budgets of various country programmes be reviewed and norms be established.

Measures taken by the Administration

15. UNHCR stated that programme delivery and administrative support costs for each country programme for the period 1994-1996 had recently been reviewed and the variations in costs, compared with programme (operational) activities, had been analysed for the same period. Proposals were currently under consideration to give a more realistic picture of UNHCR programme delivery and administrative support costs.

16. Another measure taken by the Administration included a recent decision to cap general programmes posts at 1 January 1998 levels, requiring that all new needs be met through existing posts.

(b) Recommendation 10 (e)

17. The Board recommended that project objectives be clearly defined and quantified so that there was no conflict between objectives and inputs and the executing agency had a clear idea of the targets to be achieved at the end of the project period.

Measures taken by the Administration

18. UNHCR stated that its programme management system was based on the principle of planning by objectives and all activities included in letters of instruction and subsequent subagreements should be linked to objectives that were clearly identifiable. Care and maintenance programmes for both refugees and internally displaced persons would often include objectives that appeared to be rather broad. That was the nature of that type of assistance, which could often include a wide range of activities and serve more than one set of beneficiaries. However, it was the responsibility of all UNHCR offices that prepare subagreements to ensure that implementing partners were fully aware of the results they were expected to achieve.

19. In the programming system currently used by UNHCR, management by objectives was not always rigorously applied. The new operations management system would place much greater emphasis on working by objectives in all stages of programme planning and implementation.

(c) Recommendation 10 (f)

20. The Board recommended that pending the introduction of the new operations management system, preparation of work plans be strengthened, made more programme specific and include appropriate performance indicators.

Measures taken by the Administration

21. UNHCR stated that it encouraged individual field offices to establish work plans either on an operation-wide basis or with specific implementing partners whenever it was deemed useful by the offices concerned. Many UNHCR activities did not lend themselves readily to the use of work plans, at least as such plans were normally used. The formulation of such plans for each letter of instruction had not proved beneficial and were therefore no longer mandatory. UNHCR was reluctant to reintroduce a requirement that, in its present form, would soon become redundant through the implementation of the new operations management system. The system would require offices to organize their activities on the basis of objectives and establish a plan and design on that basis, thereby introducing a much closer link between objectives and the monitoring of their implementation. UNHCR would, nevertheless, in its instructions concerning 1998 programming, remind all concerned offices and units of the importance the auditors had placed on work plans and the related performance indicators. Lessons learned from the exercise would be incorporated into the operations management system.

(d) Recommendation 10 (g)

22. The Board recommended that subproject descriptions be specific, with clear identification of the nature of assistance and the implementing partners' responsibilities, and include appropriate performance indicators for the purpose of monitoring reports.

Measures taken by the Administration

23. UNHCR stated that FMIS required a close link in project documents between the attached budget and the narrative describing activities. While that link facilitated financial monitoring, it did not always lend itself to a comprehensive and clear description of all activities. That was a recognized weakness that would be addressed in the new operations management system. Pending implementation of the new system, and as noted above, UNHCR would, in its instructions concerning 1998 programming, stress the necessity of reinforcing the link between activities, responsibilities and the related monitoring mechanisms.

(e) Recommendation 10 (h)

24 The Board recommended that the Administration intensify its efforts to obtain project monitoring reports.

Measures taken by the Administration

25 UNHCR stated that it accepted recommendation 10 (h) which reflected a genuine problem. There were a number of reasons why financial reports were not submitted in a timely manner, such as budgeting in more than one currency, expenditure in more than one location, inadequate staffing by implementing partners, central consolidation of financial data by implementing partners' headquarters and lengthy procedures involving the closure of projects. The last was, in part, a result of the level of detail required by some donors. UNHCR was now taking steps to screen potential implementing partners in the light of their ability to produce timely financial reports. The new budgeting process/ structure would also seek to simplify the exchange of financial data between UNHCR and its partners to facilitate more rapid reporting.

(f) Recommendation 10 (i)

26 The Board recommended that UNHCR establish procedures to ensure that quick impact programmes generated results within a limited period.

Measures taken by the Administration

27 UNHCR stated that its quick impact projects had proved very beneficial in many areas of the world, particularly in the context of rehabilitation and reintegration programmes, although there was no guarantee that each effort would be successful. Such projects were often inherently more difficult than development projects. In some countries, security problems and/or the considerable lack of implementing capacity made it extremely difficult to undertake meaningful programmes. UNHCR did not continue such projects year after year when constraints were excessive. The most difficult element in the planning and implementation of such projects was the selection criteria used and the choice of implementing arrangements. When the criteria were appropriate and good partners were available, quick impact projects usually generated the desired result. UNHCR had undertaken a review of selected quick impact projects and would issue guidelines on their implementation. Furthermore, a Reintegration and Self-Reliance Unit had been created within the Programme and Technical Support Section to provide multi-sectoral support to reintegration operations and self-reliance programmes. As well as being the focal point at Headquarters for practical cooperation with the development and lending institutions, the Unit would also provide managers responsible for reintegration operations with assistance in programme design for, and the implementation of, such operations, ensuring that lessons learned from past reintegration operations were taken into account in the design of new programmes that, in many cases, include quick impact projects.

4. Procurement

Recommendation 10 (j)

28 The Board recommended that the progress already achieved in obtaining annual purchasing plans from field offices should be taken forward by covering even more field offices.

Measures taken by the Administration

29 UNHCR stated that annual procurement plans were submitted as part of the annual budget exercise that was completed by every field office. Instructions for the 1998 purchasing plans will be issued to the field in October 1997 for reply in the following month. The instructions would emphasize the importance of timely and well-prepared plans. The format of the plans would be revised to take into account the experiences of prior years.

5. Human resources management

(a) Recommendation 10 (k)

30 The Board recommended that the Administration issue guidance to all field offices and requesting units at headquarters on the need to prepare more precise and output-related terms of reference for consultancy contracts and to include objectives, targets and delivery dates with deliverable/measurable outputs.

Measures taken by the Administration

31 UNHCR stated that a memorandum had been sent to all field offices and requesting units at Headquarters to remind them of the need to adhere to certain basic principles in the recruitment of consultants.

(b) Recommendation 10 (l)

32 The Board recommended that within its decentralization plans, UNHCR ensure that a central roster was maintained with up-to-date information.

Measures taken by the Administration

33. UNHCR stated that within the decentralization plans, UNHCR intended to develop software that would ensure that personnel information could be updated at headquarters and in the field and that access to that information would be worldwide. Although information in the roster would be held in a central data bank, it could be updated by sections/units responsible for input on technical qualifications.

6. Asset management

(a) Recommendation 10 (m)

34. The Board recommended that the MINDER asset management system be upgraded to enable electronic transfer of data from the procurement system to the asset management system.

Measures taken by the Administration

35. UNHCR noted the recommendation, which it accepted, and informed the Board that, since UNHCR was now engaged in renewing its corporate systems at headquarters and in the field, it was reluctant to invest any additional funds for the upgrading of present systems. While it was clear that the MINDER, the procurement system and FMIS were incompatible, the Board's recommendation could only be implemented as part of the development and implementation of the new integrated computer system of UNHCR.

(b) Recommendation 10 (n)

36. The Board recommended that physical verification of all assets, including those not recorded in the system, should be completed expeditiously.

Measures taken by the Administration

37. UNHCR stated that the dispatch to field offices of bar-code readers would be completed by the end of September 1997. All field offices had been requested to undertake a complete physical verification of all assets by the end of 1997. The reports should be available during the first quarter of 1998.

Notes

[1] *Official Records of the General Assembly, Fifty-second Session, Supplement No. 5D* (A/52/5/Add.4), chap. II.

[2] Ibid., *Supplement No. 5E* (A/52/5/Add.5), chap. I.